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COMPARISON OF BENEFITS UNDER THE FOREIGN SERVICE RETIREMENT SYSTEM
AND THE CIVIL SERVICE RETIREMENT SYSTEM

CIVIL SERVICE

1. Eligibility for Retirement

Civil Service requires five years of civilian service before annuity benefits may be paid in any case. However, there are many differences.

- a. Optional Retirement
Age 62 with five or more years of creditable service
Age 60 with 30 years of service
Between age 55 and age 60 with 30 years of service with reduction of 1% for each year under age 60.
- b. Mandatory Retirement
Age 70 with fifteen years of service or at any time after age 70 with the completion of fifteen years of service.
- c. Disability Retirement
Employee must be totally disabled for useful and efficient service in his position.
- d. Discontinued Service
Age 50 with 20 years of service, separated involuntarily
Any age with 25 years of service, separated involuntarily
Annuities will be reduced 1% for each year between 55 and 60 and 2% for each year under 55.
- e. Deferred Retirement
Age 62 regardless of age at which separated from service.

FOREIGN SERVICE

1. Eligibility for Retirement

Foreign Service requires five years of civilian service also before annuity benefits may be paid in any case.

- a. Optional Retirement
Age 50 with 20 years of creditable service without penalty.
- b. Mandatory Retirement
Career Ministers or career ambassadors at age 65
All other participants at age 60.
- c. Disability Retirement
Same as CSC.
- d. Discontinued Service
Foreign Service officers of Class 1, 2 or 3 may receive benefits only in the form of an annuity.

Officers of class 4, 5, 6 or 7 may receive a benefit of one-twelfth of a year's salary at current salary rate for each year of service not to exceed one year's salary, in addition to retirement annuity at age 60. If an officer of class 4 or 5 dies prior to reaching age 60 his death would be considered a death in service, and an annuity would be payable to a survivor.
- e. Deferred Retirement
Age 60

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2. Computation Formula

Basic Formula:

1½ percent of the "high-five" average salary multiplied by 5 years of service.

1 3/4 percent of the "high-five" average salary multiplied by years of service between 5 and 10.

2 percent of the "high-five" average salary multiplied by all service over 10 years.

Instead of using the basic formula, there may be substituted 1 percent of the "high-five" average salary plus \$25 for any or all of these percentages if such will produce a higher basic annuity.

Limitation on Annuity: Basic annuities are limited to 80 percent of the "high-five" average salary. Where an employee has performed service in excess of the amount necessary to provide the 80 percent maximum, the retirement deductions withheld after that period of time are applied toward deposit or redeposit and the balance is credited to the voluntary contribution account.

Disability Formula:

The law guarantees a minimum annuity to employees who retire on account of disability. It would be the lesser of the two following amounts:

- (a) 40 percent of the employee's "high-five" average salary, or
- (b) The amount obtained under the general formula after increasing the employee's actual service by the time remaining from date of separation to age 60.

If the employee's earned annuity is larger than the guaranteed minimum, he will receive the larger amount.

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2. Computation Formula

Basic Formula:

2% of "high-five" average salary for which full contributions were made to the Fund multiplied by the years of service.

Limitation on Annuity: The years of service for computation purposes are limited to 35; hence the annuity is limited to 70 percent of the "high-five" average salary.

Disability Formula:

A participant with less than 20 years of service credit has his annuity computed as if he had 20 years of service, except that the additional credit shall not exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service (age 65 for career ministers and career ambassadors, age 60 for all others).

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3. Survivor Benefits

Survivor benefits under both systems are substantially the same with the same percentage reduction in annuity in order to provide for survivors. However, there are two slight differences.

- (a) Survivor benefits of employee who dies in service are based on one-half of the employee's earned annuity.
- (b) Pays annuity to survivor for life or until remarriage.

4. Contributions

At the present time the contributions to both funds are based on 6½ percent of the base salary.

5. Creditable Service

Both systems give credit for substantially the same types of civilian and military service.

CSC does not require contributions for periods of service when no deductions were taken (a small reduction in the annuity results).

6. Reemployment of Annuitants

- (a) The salary of the reemployed annuitant who retired optionally is reduced by the amount of the annuity.
- (b) In the case of a recovered disability annuitant, payment of the annuity is continued for a year unless he returns to Government service.

3. Survivor Benefits

- (a) Survivor benefits of employee who dies in service are computed the same as in disability retirement cases if the employee had less than 20 years of service; otherwise it is based on one-half of the earned annuity.

- (b) Pays annuity to survivor for life.

4. Contributions

5. Creditable Service

- (a) Foreign Service does not give credit for any period of service not covered by contributions.
- (b) Foreign Service allows extra credit for service at "unhealthful" posts. Unless a participant received a salary differential in lieu of extra service credit, time served at such posts is counted as time and a half.

6. Reemployment of Annuitants

- (a) Reemployed annuitant is permitted to receive the salary of the position to which he is appointed plus so much of his annuity which when combined with such salary does not exceed during any calendar year the basic salary such person was entitled to receive in the Foreign Service on the date of his retirement.
- (b) Payment of the annuity is continued for six months or until the date of reinstatement in the Service, whichever is earlier.

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- (c) Reemployment in Government service is not guaranteed.

7. Taxes

Annuity payments under both systems are subject to Federal income tax under rules prescribed by the Internal Revenue Service, Treasury Department, with one exception.

Disability annuities as such are not tax exempt. However, the sick pay exclusion provision of Internal Revenue may be applied up to normal retirement age. From that date the annuity is subject to taxation as other annuities.

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- (c) Upon the application of a recovered annuitant within 1 year from the date of recovery, the Secretary must reinstate him in the class in which he was serving at the time of retirement.

7. Taxes

Under the provisions of PL 86-723, Section 51, annuities paid on the basis of retirement for disability are not subject to Federal income tax.